

ADMINISTRATIVE/INTERNAL USE ONLY

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File OTM 1-2

9 May 1977

MEMORANDUM FOR: Deputy Director for Administration

SUBJECT : Director's Note

I would like to get out the second issue of the Director's Notes by next Monday. I don't want to lose the momentum.

A. Should we include a reference about contacts with [REDACTED] by Agency or Agency personnel similar to that as contained in the DDO message to all Chiefs of Station?

B. Should we recap the [REDACTED] cases?

STATINTL

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[REDACTED]
STANSFIELD TURNER
Director

UNCLASSIFIED	CONFIDENTIAL	SECRET
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Approved For Release 2001/08/31 : CIA-RDP80-00473A000300080004-1

EXECUTIVE SECRETARIAT

Routing Slip

TO:		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
3	D/DCI/IC				
4	DDS&T				
5	DDI				
6	DDA	X			
7	DDO		X		
8	D/DCI/NI				
9	GC		X		
10	LC				
11	IG				
12	Compt				
13	D/Pers				
14	D/S				
15	DTR				
16	Asst/DCI/PA		X		
17	AO/DCI				
18	C/IPS				
19	DCI/SS				
20	D/EE0				
21	ES				
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SUSPENSE 13 May 1977
Date

Remarks:

STATINTL

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Notes from the Director No. 17

10/DBA

14 December 1977

STATEMENT ON DDO REDUCTION

I have been requested by several committees of Congress to provide background information on the personnel reduction in the DDO. The statement which I provided in response to those requests is printed in its entirety below for the information of all CIA personnel.

**Statement by Admiral Stansfield Turner,
Director of Central Intelligence,
Concerning Personnel Reductions in the
Directorate of Operations, CIA**

I. Why were the cuts necessary?

Soon after my arrival in the Agency last March, I began to hear that the Directorate of Operations was overstaffed. It was almost universally perceived within the Agency that the DDO had excess people, resulting in over management and under utilization of talent. Some organizations could tolerate this, but not an organization like the CIA where we are fortunate to have high-quality, dedicated and ambitious people. Nor, from a broader standpoint, is it tolerable to have unnecessary people on the taxpayers' payroll.

At that time the Directorate of Operations was already engaged in a three-phase restructuring and paring down program. I encouraged and received a report on their efforts in mid-July.

II. Determination of the size of the reduction.

The report I received presented a range of opinion as to the extent of the cut that was necessary. I elected to be conservative and take the smallest number of positions for elimination that was suggested—820. This does not mean that either the incumbents of those positions must be released or that 820 people are going to be declared excess to this Directorate. Normal attrition should greatly reduce the number whose services will no longer be needed in the Directorate of Operations. We also must make provision for the continuing hiring of new and young personnel, to ensure the continuing viability of the service and we also must ensure that there exists a reasonable promotion opportunity at all levels for those on duty. To accomplish these latter points I have told the Directorate of Operations to hire 215 people each year for FY 78 and FY 79. Because of normal attrition many people will be voluntarily leaving the Operations Directorate and we estimate that over the two-year exercise approximately 300 individuals will actually be involuntarily separated from the Agency. It should also be noted that nearly 70 percent of the 212 people declared excess so far are eligible for an immediate retirement annuity. I feel very strongly that, despite the additional pain it causes us, we cannot afford to neglect either the promotion opportunity for those already in the organization or the necessity of bringing in people in approximately equal annual increments at the bottom. We simply must continue to build a sufficiently attractive career opportunity to attract and retain the same caliber of people in 1978 as we had in 1977. Parenthetically, I might say that “at the bottom” is intended to mean just that. I see little prospect for more than a handful of specialists coming in at middle or upper levels.

III. Timing of the reduction.

Of the alternatives presented to me for phasing the reduction, I opted for the quickest, which was accomplishable over a two-year period. Given the changes the last few years have brought to the CIA, I felt it would be better for morale not to prolong this action. Extending the reduction over a six-year period might have made it possible to achieve the reduction through attrition alone, but that would have left an air of uncertainty hanging over the entire organization for that long period and in the end might not have brought about the reductions in the right places. In addition, I do not believe I could honestly face your Committee in its budgetary role and suggest that the Agency should retain such a considerable number of people in excess of its needs for six years.

On August 8, I announced this intended reduction—first privately to the employees and then publicly to the media. It was in turn well publicized in and outside the Agency. I further announced that we would notify those who were going to be asked to leave in Fiscal Year 1978 not later than the first of November 1977; that none of those persons would be asked to leave prior to the first of March 1978. Those being asked to leave in Fiscal Year 1979 would be notified by 1 June 1978 and not required to leave prior to 1 October 1978.

Between the time I notified CIA employees in August that there would be a reduction, and the first announcement to individuals on the first of November as

to who would be released, I received no complaints either as to the necessity for cuts or how they would be effected. Even since the announcement of who would be released, I have found no one in the Agency who seriously believes that a reduction is not in order.

IV. Who is to be released?

In deciding how to allocate the reduction across grades and skills, my end objective has always been to maintain at least as much clandestine intelligence capability as we possess today. We do not have a surplus of human intelligence collection capability, hence, there will be no meaningful reduction in overseas strength or activities, nor appreciable reduction in the size of the officer operational corps.

V. Method of selecting the individuals.

For those below the supergrade level, the individual's accumulated fitness reports were the basic determinants of who was to leave. The Agency's periodic evaluation boards numerically rank individuals within each grade level. These rankings combined with fitness reports were the basis for a point system. An explicit explanation of this point system was published for all personnel in the Operations Directorate in early October. Beyond this mechanical evaluation, a panel reviewed the calculations and used good judgment in making exceptions where unique skills needed to be retained. These were rare exceptions, however, and the rule of the numerical ranking was closely followed.

In June this year we initiated an annual process by which a senior panel composed of officers at the Executive position level rank all supergrades. The Director for Operations used these rankings as the basis for his recommendations on release of supergrades to me. Again, there were exceptions to the ranking order, but they were rare.

There are two additional points that I would like to make on these selections:

- As far as I can determine, there was no bias by type of service, agreement with current management, race or sex in the selection of these individuals. There were, for example, only 17 women, 4 blacks, and 3 Hispanics in the total of 212 forced reductions for Fiscal 1978.
- There is no question that we were forced to terminate some very capable people. The Directorate of Operations has been shrinking continually since our withdrawal from Vietnam. The majority of the marginal performers have already been eliminated. There is no way today to reduce further without asking very competent people to leave. This is unpleasant, unfortunate, but I believe necessary!

VI. Style of notification.

The method by which notifications were issued to individuals has been criticized. I regret that individuals may have been offended or felt that their prior service was not fully appreciated. Such is not the case. Everyone of these individuals has made sacrifices and many have endured privations and risks for their country. Being fully cognizant of their past contributions, we are determining whether any of these 212 people can be relocated in other directorates within the Agency to fill existing vacancies. Consequently, while individuals have received a notification that their release has been recommended, we are still exploring alternative employment possibilities. Until those alternatives have been exhausted, no final determination on their employment will be made.

I anticipate that 25% of these 212 people will be offered alternative positions. Additionally, I am personally approaching the chiefs of all the other intelligence services of our country to ask that they give the residual of these 212 special consideration in their hiring requirements.

Finally, in a few cases, notices went to those who would be able to retire if permitted to serve a small amount of additional time. In these cases, we have arranged that no one will be forced to retire before the end of Fiscal Year 1979, when the program must be complete, if he would qualify for retirement by that time.

VII. Is there a security risk?

It has been suggested that the departure of sizable numbers of employees risk their being suborned by enemy intelligence agents. Frankly, I have too much confidence in their loyalty and dedication to take such a suggestion seriously. There was no such experience, to the best of my knowledge, under former Director James Schlesinger in 1973, when 632 employees were separated. Our unfortunate experiences with former employees violating their secrecy agreement have come entirely from individuals who have left the Agency of their own volition.

VIII. Next phase of the reduction.

The Fiscal 1979 cut will require approximately the same number of reductions, perhaps more if attrition does not meet expectations. We intend not to wait until the first of June and then send out all of the notifications at once but to commence notification as early as possible. None will be required to depart before the first of October 1978.

IX. Conclusions.

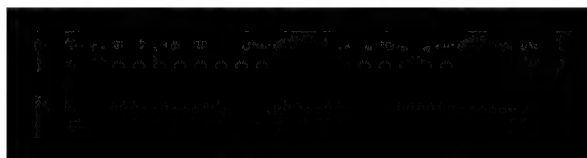
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ensuring operational efficiency and full utilization of talent. More than that, morale in the Directorate of Operations will be further strengthened through the sustained expression of support for its vital activities such as has come from this Committee and which also must come from a broader range of citizens. We must lift the pall of suspicion which hangs over the Intelligence Community in general and the Central Intelligence Agency in particular, which obscures the exceptional contribution these organizations have made in the past and are making today.

I would not have encouraged and approved this sizable reduction had I not thought that in the long run it would strengthen the Directorate of Operations and the Central Intelligence Agency. We need the capabilities of this Directorate as much today as ever. Although new technical means of collection permit us to extend our collection efforts, they only compliment, they do not supersede human collectors. Only human collectors can gain access to motives, to intentions, to thoughts, and plans. They will always be vital to our country's security.

It would have been much easier for me to have avoided this issue and attempted to continue over strength until you or the appropriations committees or the Office of Management and Budget uncovered these excesses and made the reductions in my behalf. Contrary to media reports, I was not directed to make these cuts either by the Vice President or David Aaron of the National Security Council staff as reported in some media. I have talked to neither on the subject except to keep the Vice President informed of my decisions. In sum, it is my opinion that I would have been avoiding my duty and would have been placing short-term considerations ahead of long-term necessities in putting the cuts off. We simply must build a foundation today for a Central Intelligence Agency that will be capable of continuing into the indefinite future the outstanding performance it has given our country during the past thirty years.

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NOTES FROM THE DIRECTOR

NO.17

I thought that you might be interested in my statements provided to the House Permanent Select Committee on Intelligence and the Senate Select Committee on Intelligence on the program of reduction in the size of the DDO.

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Presentation to the
House Permanent Select Committee on Intelligence
on the Reduction in Size of the DDO

Admiral Stansfield Turner
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Presentation to the
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on the Reduction in Size of the DDO

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I feel very strongly that, despite the additional pain it causes us, we cannot afford to neglect either the promotion opportunity for those already in the organization or the necessity of bringing in people in approximately equal annual increments at the bottom. We simply must continue to build a sufficiently attractive career opportunity to attract and retain the same caliber of people in 1987 as we had in 1977. Parenthetically, I might say that "at the bottom" is intended to mean just that. I see little prospect for more than a handful of specialists coming in at middle or upper levels.

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I feel very strongly that, despite the additional pain it causes us, we cannot afford to neglect either the promotion opportunity for those already in the organization or the necessity of bringing in people in approximately equal annual increments at the bottom. We simply must continue to build a sufficiently attractive career opportunity to attract and retain the same caliber of people in 1987 as we had in 1977. Parenthetically, I might say that "at the bottom" is intended to mean just that. I see little prospect for more than a handful of specialists coming in at middle or upper levels.

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I feel very strongly that, despite the additional pain it causes us, we cannot afford to neglect either the promotion opportunity for those already in the organization or the necessity of bringing in people in approximately equal annual increments at the bottom. We simply must continue to build a sufficiently attractive career opportunity to attract and retain the same caliber of people in 1987 as we had in 1977. Parenthetically, I might say that "at the bottom" is intended to mean just that. I see little prospect for more than a handful of specialists coming in at middle or upper levels.

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7 Dec 1977

NOTE FOR: Jack Blake, A/DDCI

As a follow-up from the HPSCI, the Director promised to forward certain unclassified information for use by the Members in speeches, etc., if they wish. The Director wants to send the material to all 13 Members of the Committee. Enclosed is the proposed letter with the material to be transmitted. It includes the statement on the DDO cuts. That statement represents the efforts of Capt. [REDACTED] in coordination with [REDACTED] DDO, and has the final input from the DCI (as you will recall, he drafted the original statement). The version with the DCI's written in comments was received in our office on 5 December and on the 6th of December Messrs. Malanick, Hetu and [REDACTED] saw me on the use of that statement for an employee notice and they indicated they had some concern with the statement in that connection and I agreed that the employee notice should not be distributed until after we had made our transmittal to the HPSCI. (Also, the Director on the 6th of December was scheduled to address this topic before the SSCI.) I am endeavoring to find out from Mr. Malanick to what extent the authorized change in the attached text had been accomplished via the efforts of himself,

(cont'd)

I have checked with Tom Latimer, Staff Director, HPSCI, to be assured that transmittal of the letter and enclosures to all Members rather than solely to the Chairman would not be offensive to them. *Belend.* Thus we are now ready to transmit and the options are to wait for the Director's return on Friday, ² transmit under your signature; ³ or we can simply transmit from this office. Please advise how we should handle.



STATINTL

P.S.

Mike tells me DCI
gave them reprieve and
statement being reworked and
will be given to us for HPSCI &
SSCI as soon as completed.

1800 hours
in P3

Approved For Release 2001/08/31 : CIA-RDP80-00473A000300080004-1

		DATE
TO:		
ROOM NO.	BUILDING	
REMARKS:		
FROM:		
ROOM NO.	BUILDING	EXTENSION

Approved For Release 2001/08/31 : CIA-RDP80-00473A000300080004-1

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I have made
some pencilled
suggestions which
I believe are in
the DCI's interest
per my meeting
with ADDA and Hetu.

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Washington, D. C. 20505

Honorable Edward P. Boland, Chairman
Permanent Select Committee on Intelligence
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

I was gratified by the extended time provided me by the Committee last Wednesday. In response to the interest shown in sharing with a wider audience information on a variety of topics. I am enclosing an example of the types of public statements I have made and unclassified information pertaining to the Agency's role against international terrorism, illicit narcotics traffic and the recent personnel reduction in the Operations Directorate of the Agency. I hope this material is helpful.

Yours sincerely,

STANSFIELD TURNER

on Intelligence on the Reduction

in Size of the DDO

Admiral Stansfield Turner

Director of Central Intelligence

30 November 1977

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On August 8 I announced this intended reduction -- first privately to the employees and then publicly to the media. It was in turn well publicized in and outside the Agency. I further announced that we would notify those who were going to be asked to leave in Fiscal Year 1978 not later than the first

of November 1977; that none of those persons would be asked to leave prior to the first of March 1978. Those being asked to leave in Fiscal Year 1979 would be notified by 1 June 1978 and not required to leave prior to 1 October 1978.

Between the time I notified CIA employees in August that there would be a reduction, and the first announcement to individuals on the first of November as to who would be released, I received no complaints either as to the necessity for cuts or how they would be effected. Even since the announcement of who would be released, I have found no one in the Agency who seriously believes that ~~the~~ reduction is not in order.

IV. Who is to be released?

In deciding how to allocate the reduction across grades and skills, my end objective has always been to maintain at least as much clandestine intelligence capability as we possess today. We do not have a surplus of human intelligence collection capability, hence, there will be no meaningful reduction in overseas strength or activities, nor appreciable reduction in the size of the officer operational corps.

~~I directed that the individuals selected for release in the first year come more from the senior grades. More would be eligible for normal retirement and cuts at that level would tend to relieve rather than exacerbate the over-management problem.~~

V. Method of selecting the individuals.

For those below the supergrade level, the individual's accumulated ~~efficiency~~ reports were the basic determinants of who was to leave. The Agency's periodic evaluation boards numerically rank individuals within each grade level. These rankings combined with ~~efficiency~~ reports ~~grades~~ were the basis for a point system. An explicit explanation of this point system was published for all personnel in the Operations Directorate in.

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early October. Beyond this mechanical evaluation, a panel reviewed the calculations and used good judgment in making exceptions where unique skills needed to be retained, ~~or humanitarian circumstances were overriding~~. These were rare exceptions, however, and the rule of the numerical ranking was closely followed.

In June this year we initiated an annual process by which a senior panel composed of officers at the Executive position level rank all supergrades. The Director for Operations used these rankings as the basis for his recommendations on release of supergrades to me. Again, there were exceptions to the ranking order, but they were rare.

There are two additional points that I would like to make on these selections:

- o As far as I can determine, there was no bias by type of service, agreement with current management, race or sex in the selection of these individuals. There were, for example, only 17 women, 4 blacks, and 3 Hispanics in the total of 212 forced reductions for Fiscal 1978.
- o There is no question that we were forced to terminate some very capable people. The Directorate of Operations has been shrinking continually since our withdrawal from VietNam. The majority of the marginal performers have already been eliminated. There is no way today to reduce further without asking very competent people to leave. This is unpleasant, unfortunate, but I believe necessary!

VI. Style of notification.

The method by which notifications were issued to individuals has been criticized. I regret that individuals may have been offended or felt that their prior service was not fully appreciated. Such is not the case. Everyone of these individuals has made sacrifices and many have endured privations and risks

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for their country. Being fully cognizant of their past contributions, we are determining whether any of these 212 people can be relocated in other directorates within the Agency to fill existing vacancies. Consequently, while individuals have received a notification that their release has been recommended, we are still exploring alternative employment possibilities. Until those alternatives have been exhausted, no final determination on their employment will be made.

I anticipate that 25% of these 212 people will be offered alternative positions. Additionally, I am personally approaching the chiefs of all the other intelligence services of our country to ask that they give the residual of these 212 special consideration in their hiring requirements.

Finally, in a few cases, notices went to those who would be able to retire if permitted to serve a small amount of additional time. In these cases, we have arranged that no one will be forced to retire before the end of Fiscal Year 1979, when the program must be complete, if he would qualify for retirement by that time.

VII. Is there a security risk?

It has been suggested that the departure of sizable numbers of employees risks their being suborned by enemy intelligence agents. Frankly, I have too much confidence in their loyalty and dedication to take such a suggestion seriously. There was no such experience, to the best of my knowledge, under former Director James Schlesinger in 1973, when 632 employees were separated. Our unfortunate experiences with former employees violating their secrecy agreement have come entirely from individuals who have left the Agency of their own violation.

VIII. Next phase of the reduction.

The Fiscal 1979 cut will require approximately the same number of reductions, perhaps more if attrition does not meet expectations. We intend not to wait until the first of June and then send out all of the notifications at once but to commence notification

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as early as possible. None will be required to
depart before the first of October 1978.

IX. Conclusions.

Many are concerned that this reduction may have hurt the morale of the Directorate of Operations. There is no question that in the short-term it has. The long-term objective, however, is quite the reverse; it is to ~~rebuild~~ rebuild morale by ensuring operational efficiency and full utilization of talent. More than that, morale in the Directorate of Operations will be further strengthened through the sustained expression of support for its vital activities such as has come from this Committee and which also must come from a broader range of citizens. We must lift the pall of suspicion which hangs over the Intelligence Community in general and the Central Intelligence Agency in particular, which obscures the exceptional contribution these organizations have made in the past and are making today.

I would not have encouraged and approved this sizable reduction had I not thought that in the long run it would strengthen the Directorate of Operations and the Central Intelligence Agency. We need the capabilities of this Directorate as much today as ever. Although new technical means of collection permit us to extend our collection efforts, they only compliment, they do not supersede human collectors. Only human collectors can gain access to motives, to intentions, to thoughts, and plans. They will always be vital to our country's security.

It would have been much easier for me to have avoided this issue and attempted to continue over strength until you or the appropriations committees or the Office of Management and Budget uncovered these excesses and made the reductions in my behalf. Contrary to media reports, I was not directed to make these cuts either by the Vice President or David Aaron of the National Security Council staff as reported in some media. I have talked to neither on the subject except to keep the Vice President informed of my decisions. In sum, it is my opinion that I would have been avoiding my duty and would have been placing

short term considerations ahead of long-term necessities in putting the cuts off. We simply must build a foundation today for a Central Intelligence Agency that will be capable of continuing into the indefinite future the outstanding performance it has given our country during the past thirty years.*

I appreciate your asking me to be with you to talk about what we are doing in the world of intelligence to serve you and to serve the country. President Carter directed a major effort to reshape the intelligence structure of this country back in February. After six months of scrutiny, close study, and consideration of many alternatives, in August, the President issued several directives to change the way the Intelligence Community is organized. As a result of this, we are starting to evolve today toward a new model of intelligence - an American model.

This American model contrasts with the old, traditional model where intelligence organizations operated under a cloak of maximum secrecy and with a minimum of supervision. We hope today to develop a model which will conform to American standards of ethics and propriety and at the same time continue to provide senior decision makers in government with the facts on which they can base sound decisions. On the one hand it will be more open as our society is more open; on the other hand it will be more controlled, with checks and balances much like those which characterize the rest of our governmental

process. I thought it might be of interest to you today if I discussed some of the actions we're taking to move toward this new model.

The President's directive of last August had two fundamental objectives. The first was to strengthen control over our entire intelligence apparatus thereby encouraging greater effectiveness. The second objective was to assure control through stringent oversight, thereby increasing accountability.

Now let me point out that I am the Director of the Central Intelligence Agency, but this is only one of many intelligence agencies of the government. Intelligence activities also reside in the Department of Defense, in the Department of State, Treasury, the FBI, and even the new Department of Energy. But I am also the Director of Central Intelligence. In that capacity my task is to coordinate, to bring together into one effective, harmonious operation, the activities of all of those intelligence organizations. The President's reorganization strengthens my hand in that regard in two very specific ways. As the Director of Central Intelligence it gave me full authority over the budgets of all of the intelligence activities I've enumerated; and secondly, it gave me full authority to direct their tasking, that is, the day to day operations of these organizations. This should enable me to better

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control the total effort of collecting, analyzing, and producing intelligence. This is really what was intended, in my opinion, in the National Security Act of 1947 which first established the Central Intelligence Agency.

Now some of the media have portrayed this as the potential creation of an intelligence czar. That interpretation could only come from a misunderstanding of the intelligence process itself. Let me explain. Intelligence activities can be divided into two basic and separate functions. The first is collecting information. This is the costliest and the riskiest of our operations. It involves, among other things, reading foreign newspapers, intercepting broadcasts, trying to break codes, and recruiting individuals in other countries to spy for us. Here you want good control. You want to be sure there is a minimum of overlap because each of these activities are time consuming and very costly; and you want to be sure there is a minimum possibility of a gap in what you are collecting because that could be responsible for another Pearl Harbor. Only centralized control can ensure the intelligence collection effort is well coordinated. The second major activity of intelligence organization is analysis. It is exactly the same as

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what would be called research on a college campus. It is the analyzing, the estimating, the pulling together all the little pieces of information that are obtained by the collectors and trying to put them together to produce a coherent picture of what another country is doing, or thinking, or planning. Hopefully this picture, or analysis, provides the decision-makers, the policy-makers of our country, a better basis upon which to make those decisions.

Now let me make it clear, that under this new reorganization I do not control all the people who do these analyses. I do control those in the CIA; however, there is a strong analytic capability in the Department of Defense and another in the Department of State. The Department of State specializes in political analysis with second suit in economics. The Department of Defense specializes in military analysis with a second suit in political. The CIA covers the waterfront. So we have assurance that divergent views will come forward if they exist. We encourage that. It is in the interest of each of us in the Intelligence analysis business to be sure that the decision-makers don't get just one point of view when several are justified. Our quest is to see to it that there is competitive, overlapping analyses. But, should I try to be a czar; should I try to short-change the descending or minority views, there is a Cabinet officer in the

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of State who manage those intelligence analytic operations. If I were to try to run roughshod over their views of events, I am sure those Cabinet officers would not fail to take advantage of the access they have to the President to ensure their views are brought forward. So we are not trying to set up a centralized control over the important interpretive process but over the collecting process. And, I sincerely believe that this new organizational arrangement is going to assure better performance in both collecting and interpreting intelligence for this country.

The President, the Vice President, and many other of our top officials have spent much time working out this new reorganization. I believe this evidences the keen awareness throughout the top echelons of our government that good intelligence is perhaps more important to our country today than in any time since the creation of the Central Intelligence Agency thirty years ago.

Thirty years ago we enjoyed absolute military superiority. Since that time the failure of the Soviets to make their system grow adequately in areas other than the military has led them to accent that particular competition. They have, I believe, achieved a position of reasonable parity in most areas of the

military. That parity places greater value on our intelligence product as an important adjunct of our military. When you know your enemies potential and something of his intentions, you can use your forces to much greater advantage. He doesn't normally reveal that information outright, but if we can pick up pieces of information here and there, over time you can bring those pieces together to tell you important things about your enemy. This gives your military commanders greater leverage in the use of their forces and the upper hand in any confrontation of their otherwise equal forces.

Let's look past the military scene. Thirty years ago we were also a dominant and independent economic power. Today we are dependent on other countries in an economically interdependent world. This growing interdependence and the impact on our and other national economies on each other is more and more apparent. Here too, I believe, we desperately need good intelligence to make sure that we don't lose our shirt in the international economic arena.

Politically, thirty years ago we were the dominant influence in the world. Today even some of the most underdeveloped, emerging nations insist on

a totally independent course of action. They go their own way and refuse to be directed to by the Soviets or ourselves. Here again, we must be smart. We must understand other nation's attitudes, cultural imperatives, and outlooks so that we will not be outmaneuvered in the process.

At the same time that we are trying to produce better intelligence in all three of these fields, we must be careful not to undermine the principles on which our country was founded or the standards by which we live in the process of so doing. Thus, the second leg of the President's new policy is better oversight. The cornerstone of all oversight is the keen and regular participation of both the President and the Vice President in the intelligence process. I can assure you they are both very much active participants.

Beyond that there are two intelligence oversight committees in the Congress. The Senate Select Committee on Intelligence was formed a year and a half ago and has been working closely with the Intelligence Community. We have a relationship here of closeness but yet aloofness. Closeness in that I feel very free

in going to them for help and advice particularly when I'm involved with other committees of the Congress and there may be boundaries that are being encroached upon. But aloofness in that I very definitely report to them. When they call and want to know what we are doing and how we're doing it and why, I am answerable to them. It is a good oversight procedure and it is working well.

The House of Representatives, last August, set up a corresponding committee. We are sure that that relationship will develop as has the one with the Senate.

Beyond this the Intelligence Oversight Board oversees our activities. Three distinguished Americans, former Senator Gore, former Governor Scranton, and Mr. Thomas Farmer, a lawyer from Washington, are appointed by the President, with their only task to oversee the legality and the propriety of our intelligence operations. They report only to the President. Anyone may go to them, bypassing me, and say look, that fellow Turner, or somebody else in the Intelligence Community is doing something he shouldn't be doing. The Board will look into it and let the President know whether they think corrective action is necessary.

Now let me be perfectly honest with you. There are risks to this or any oversight process. The first risk is that timidity may reduce the intelligence effort. It is easy when acting as overseer not to take a risk, not take a chance. But in so doing, we could fail to do things that could be very important to the long term benefit of our country. It might place the avoidance of current risk over the gaining of long term benefits.

The second risk is the risk of security leaks. The more you proliferate the number of people privy to secret or sensitive intelligence operations, the more danger there is of some inadvertent leak. I am confident at this time that we are moving to establish a healthy balance between the degree of oversight which will ensure proper intelligence activity and the degree of secrecy by which permit necessary intelligence operations to be protected. But it will be two or three years before we shake this process out and establish just how those relationships are going to function best. During that time, we are going to need the understanding and support of the Congress and that of course means the support and understanding of the American people.

Accordingly, we are now reappraising the traditional outlook toward secrecy, toward relationships with the public. We are adopting a policy of more openness, in the hope that we can be more forthright at the same time as we ensure preservation of that secrecy which is absolutely fundamental. As a first step we've tried to be more accessible to the media. We have appeared on Good Morning America, 60 Minutes, Time magazine. Also we are trying to respond more candidly to inquiries from the media. We try to give substantive, meaningful answers whenever we can, within the limits of necessary secrecy.

But perhaps of more interest to those of you who are concerned with international affairs, we are trying today to share more of the product of the intelligence effort. More of the analyses, the estimates, the studies that we do. It is our policy to carefully examine every study we do, whether it is secret, top secret, or destroy before reading to determine if it can be reduced to unclassified form and still be useful to the public. If it can be done, we feel we have an obligation to print it and publish it. We are doing that to the maximum extent we can. We hope they will be of value and perhaps help improve the general quality and tenor of debate on major issues affecting our country.

You may have heard last March of our study on the world energy outlook. We have recently done another one on the world steel prospects - whether there is over-capacity; what the expected demand may be. We have published studies on the Chinese and Soviet energy prospects. And, under the egis of the Joint Economic Committee of Congress, last July we published one on the outlook for the Soviet economy itself. Let me describe that very briefly to give you the flavor of what we think we can put out in unclassified form.

Previously, the CIA has looked at the Soviet economy and felt that generally it had the capability to achieve three things:

- 1) to sustain the level of military growth that would permit them to catch up with us generally;
- 2) to make improvements, if not spectacular improvements, in the quality of life inside the Soviet Union; and
- 3) to sustain enough investment to carry on a generally growing economy.

Our most recent study reexamines these premises and comes to the conclusion that the outlook for the Soviet economy is bleaker today than at any time since the death of Stalin. This is based on our belief that the Soviets have maintained their levels of productivity over these many years primarily by infusing large quantities of labor and capital. We believe they are coming to a dead end here. For example, in the 1960's they had a very big drop in their birth rate. In the 1980's the rate of growth of their labor force will drop correspondingly from about 1.5% to about 0.5%. They will not be able to find the additional labor to keep up their productivity. Also, a lot of the growth of their labor force today is coming from the central Asian areas of the Soviet Union where there is serious resistance to the idea of migration to the big cities.

Secondly, their resources are becoming more scarce. They must reach further into the Siberian wasteland for minerals. This is more difficult and more costly. Less petroleum can be brought in than before because their emphasis in recent years has been on current production at the expense of developing reserves and new supplies.

Now if you look carefully at the Soviet's own five year development plan, you will see that they themselves predict they will not be able to infuse the same amount of capitol or labor as they have in the past. However, they do conclude that somehow and nonetheless they will increase productivity. We don't think that is in the cards. We see no sign of increasing efficiency, nor any sign of a willingness to become less shackled to the economic doctrines which are fundamental to their growth problem. Instead, we think that between now and the early 1980's the Soviets are going to be faced with some difficult pragmatic choices:

- (1) There may be a debate over the size or the amount of investment in their armed forces. Clearly, this is one avenue to find labor and capitol.
- (2) Another may be over whether they will continue to fulfill their promises for the delivery of oil to their Eastern European satellites. From exports of 1.6 Mbb1 to E. Europe, they may have to reduce to something like 800,000 bbl. That would mean an increased oil bill for E. Europe of \$6-7B/yr in probable 1983 prices. Will they be able to afford to do this when it becomes more and more

difficult for them to obtain hard currency?

(3) And third, how will they obtain the necessary foreign exchange to sustain the rate of infusion of American and Western technology which they are currently depending upon to increase & improve their economic position? The Soviet hard currency debt is \$16B and E. Europe's is \$24B. Both are rising rapidly - an annual rate of \$54B/yr. since 1973.

Interestingly, when they face these and other decisions, there is a high probability that they will be in the midst of a major leadership change. It could be a very difficult time for them. It may go very smoothly if they made the right decisions and are willing to sacrifice other things; we just can't tell.

One of the important points that comes out of all this is that we believe as they make these policy decisions, it will not be remote from you and me, it will be important to us both. What they do with their armed forces obviously impacts on what we do with ours. What they do with their oil inputs to the Eastern European countries and whether that area remains politically stable is going to have major impact on the events throughout the European scene. If there is too much competition for energy because they don't produce what they need will affect the world supply and price of petroleum. If they enter the market for energy from us and others in the West what will be our response? What will be our policy?

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Now let me say that when we produce a study like this we are not so confident that we present it as the future revealed. We are merely providing our best reading of the clues we see. We expect others may disagree with us. But this too is productive. A good debate generates a good dialogue on important issues. When we did the oil study last March, for instance, it was criticized in the press. We then wrote to the professors, the oil companies, to think-tanks which had criticized our conclusions and we asked them to detail their criticisms for us. Those who did we invited to come into the Agency for a day of discussions with the authors of the study. A very interesting and stimulating dialogue resulted from which both sides benefited. We hope that as more of our studies come off the press, we will increase our dialogue with the public.

However, let me assure you, while we're on this subject of openness that we cannot and we will not open up everything. There clearly must be some secrets which remain. Some of the information behind the Soviet oil and economic studies clearly was derived from very sensitive sources which would dry up if they were revealed. Thus, it is important to remember that while we move ahead, increasing a public dialogue and trying to build public understanding and respect for what we are doing,

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we must also obtain the public's understanding that a level of secrecy must be preserved.

In short, we're moving in two directions at once today. On one hand we are opening up more. But, in that process we expect to protect those secrets which remain better classified. When too much is classified it is not respected. The other direction we are moving is to tighten the barriers of security around what must be kept secret.

And in so doing, we are trying to develop a model of intelligence uniquely tailored to this country, which balances an increased emphasis on openness with a firmer resolves to preserve that which is truly secret. The model emphasizes the continued necessity of providing good information to our policy-makers while at the same time responding to effective control.

I am confident, that although this model is still evolving, it will guarantee that necessary intelligence operations are carried out only in ways which will in the long run strengthen our open and free society.

Thank you very much.

Secrecy and Morality in Intelligence

When I came back to Washington from my overseas assignment nine months ago, I found myself confronted with what appeared to be a beleaguered CIA. Beleaguered by several years of criticism, investigation, and adverse publicity. Yet, as I grew to know the organization and the people I realized how very fortunate I was to come to it at this particular time in our nation's history. I felt it was a moment of opportunity.

Opportunity first, because I doubt that anywhere else in the business world or in government will you find more dedicated, more capable public servants than in the Central Intelligence Agency and the other associated intelligence organizations in our country. They have an admirable record and, with this, I am confident that we have the foundation on which to rebuild public confidence which is much deserved.

The second way it is a moment of opportunity is because today, out of the crucible of this period of investigation and inquiry we are forging a new model of intelligence - an American model of intelligence. The old, traditional model of intelligence remarkably unchanged over centuries of history, is one where intelligence organizations maintained maximum secrecy and operated with a minimum of supervisory control. Nearly all foreign intelligence organizations continue to follow this pattern. The new model we are forging is singularly tailored to the

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outlook, the attitudes, and the standards of our country. On the one hand, it is open, more open just like our society. On the other hand, there is more supervision, more control, much like the checks and balances that characterize our entire governmental process. Let me explain a few of the cardinal features of this new American model of intelligence.

First - Openness. Today we are attempting to share more with you, the public of the United States, than ever before. We are sharing first something about the process of intelligence, how we go about doing our work. Now, clearly we cannot share everything. Very often the reason information or how it was obtained is useful is because it is unsuspected by our potential adversaries. Publicity would vitiate its usefulness. But at the same time there is much about intelligence work that need not be kept secret and which I think both the Intelligence Community and the public would benefit by discussing openly.

For example, contrary to popular belief, a very large percentage of our effort is not involved in clandestine spying. Most of our effort is concentrated on what would be termed on any university campus, or in many major corporations, simply as research. We have thousands of people whose task is to take bits of information that have been collected - sometimes openly, sometimes clandestinely - and, much like working on a jigsaw puzzle, piece them together to make them into a picture. With this picture they can then provide an evaluation or an

estimate that will help our nation's decisionmakers better understand world events, anticipate problems, and make better decisions on behalf of you and me. This is a very ordinary but a very challenging task intellectually. It is no way spooky.

Today, in carrying out our new policy of greater openness we want to share more of the results of this kind of analysis. Each time we complete a major intelligence study today, we look it over carefully to see if it can be declassified. Whatever its classification - Secret, Top Secret, or burn before reading - we go through it and excise those portions which must remain classified. These are clues which in the hands of our enemies could jeopardize the way we acquired the information, or could endanger the life of someone who has helped us. Once these clues are removed, if there is enough substance left to be of interest and of value to the American public, we publish the study and make it available, usually through the Government Printing Office.

You may have heard that in March the CIA issued a report on the world energy prospects for the next 10 years or so. In May, a study was issued on the world steel outlook - available capacity, prospects for the future. In July, on behalf of the Joint Economic Committee of Congress, we issued one on the future prospects of the Soviet economy - a rather startling change from what had been predicted in the past. Also in July, we issued a study on International Terrorism which has subsequently been

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made available through the Department of Commerce to businesses operating overseas.

Now, not to exaggerate, the Intelligence Community has, of course, not been thrown open with all secrets revealed. Anyone with a cursory understanding of the international system appreciates that that would be very much to our disadvantage. Sources would evaporate, the advantage of knowing more about your adversary than he thinks you know would be lost, and a foreigner's loyalty to us would assuredly be rewarded with prison or death.

But there are real advantages to opening up within the limits of necessary secrecy. Interestingly, I believe it is going to make it easier to protect important secrets. Winston Churchill once said, if everything is classified secret, nothing is secret. Today too much information is classified.

There are also too many people running around who feel they can take it unto themselves to decide what should be classified and what should be released. They have released information which has done irreparable damage to our country in terms of damaged national relationships; in terms of expensive, technical intelligence systems compromised; in terms of lives dedicated to America and what we stand for, lost. By our releasing as much information as we can, we can help improve the quality of national debate on important issues. And, in making that contribution we also derive a benefit. Greater public exposure of the

intelligence product, generates discussion and feedback to us of attitudes toward what we are doing and good constructive criticism of how we are doing it. This is important not only because it decreases the likelihood of misunderstandings - and much of the criticism of the past derived from misunderstandings - but-also, everyone of us in authority clearly recognizes that the intelligence mechanism of the United States must be operated in ways that are compatible with the ethical and moral standards of our country. The problem with that, however, is that it is not always easy to know with certainty what those standards are. What the country would condone in intelligence operations or other governmental activities 20 years ago, it may condemn today. How will the nation look 5, 10, or 20 years from now at what we are doing today?

Unfortunately, we cannot launch a trial balloon. We can't take some proposed activity and test it out on 210 million or so Americans and expect it to remain secret. Often we either do something secretly or we just don't do it at all. That places a particular burden on all of us in the Intelligence Community. A burden to make difficult judgments as to what things we should and what things we should not do. The American model that I'm speaking of establishes controls to help us make these judgments. Let me discuss three of those controls.

The first type of control is self-control, or self-regulation. For instance, today, and for some months, we have been attempting to write a specific code of operational ethics for the Intelligence

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Community. It hasn't been easy to write something that is specific enough to give genuine guidance, yet not so specific as to be totally inhibiting and prevent effectiveness. But the process of attempting to write such a code has been salutary for us. It has forced us to think more about ethical issues. It has forced us to grapple with the subtlties of these issues. Just as in business, just as in other agencies of government, ethical issues are seldom all black or all white. But in examining the many shades of gray, we must ask ourselves exactly what are the boundaries of our societal standards? To what lengths should we go to obtain information which would be useful for the decisionmakers of our country? The answers are never clear cut. It would be easy for us to simply interpret standards arbitrarily and stay right in the middle-of-the-road. Never do anything that would embarrass the United States of America were it disclosed. Never treat people of another country differently than we would treat Americans. Be as open and fair in our dealings with other countries as we believe all peoples should be treated.

Unquestionably this is how we would hope we could act. However, in many situations they represent an unrealistic ideal. We must always remember, that we are an unusually blessed people, living in an unusually open society. In an open society like ours an outsider can come in and without great effort, using only open sources, attain a good grasp of what's

going on, what our basic purposes are, the directions we are going, and what we are thinking. He comes; he reads; he looks; he talks to people; he walks down the street; and he can easily make an accurate appraisal of what the United States is about.

Unfortunately, as we all know, there are closed societies in the world today. Closed societies where you can't go and walk down the street and talk to the people. And, reading the newspapers is not very informative because they only say what the government puts in them. Yet, we have a genuine need to know what is going on in those societies. I don't think you would want your government to negotiate a new strategic arms limitation agreement with the Soviet Union if I could not assure you that we had some chance of feeling the pulse of the Soviet Union's political, economic, and military motives; if I didn't think there was a good chance of knowing whether or not they were abiding by the terms of such an agreement.

The problem is not limited to the military. Today we are in a economically interdependent world. What happens to the economies of the Soviet Union or the United States has ripple effects around the world. Yet, even here, closed societies of the communist bloc are not very informative. The pocketbooks of each one of us here is exposed to dangers of the economically unsound actions of other countries. We must have some intelligence capability for anticipating those events, for getting a feel for the way foreign economies are moving. But

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this too is not easy. Nor is it clear cut how much of that information is of real value. Nor are the lengths to which we should go in acquiring that information well-defined. So, we must look to controls beyond the self-control which I have described.

The second type of control over the Intelligence Community is in the form of laws and formal regulations. Congress has passed a number of laws that affect intelligence operations, like, for example, the law on wiretapping. This spring the Administration went to the Congress with a revision to this wiretapping law in an effort to better protect the right to privacy of American citizens and at the same time enable the government to obtain information that may be crucial to it.

The President himself may issue very specific regulations. For example, there is a written regulation today prohibiting the Intelligence Community from counselling, planning, or carrying out an assassination.

In the next session of Congress, our recent work with Congressional leaders will culminate in a series of charters being issued for intelligence agencies. All of the intelligence operations in the CIA, the Defense Department, and elsewhere in the government, will have a specific charter which will govern their operations.

The third form of control under the American model of intelligence is called Oversight. Earlier I mentioned the impossibility of attempting full public oversight by launching trial balloons for every secret operation. ~~While we~~ really would

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like to have full public oversight, it simply is not practical. The substitute that has been evolving is a surrogate process of public oversight.

One of the surrogates for the American people is the President of the United States. Another is the Vice President. Both these elected officials take a very keen interest in the intelligence process and operations. I see them both regularly and they are fully aware of intelligence activities.

Another surrogate is a committee called the Senate Select Committee on Intelligence which has been in existence for just over a year-and-a-half. This committee is in many respects a sounding board for us. We go to them with our problems and they feedback to us with what they feel the American people want. It is also a check on us. They hear things, they read things, they call us up, and ask us to come over and tell them what is happening and why it is happening. Through the budget process, I keep them informed of the full range of our activities. It is a very valuable line of communication between the intelligence agencies and the people of the United States.

I am very pleased that in August the House of Representatives elected to establish a corresponding committee.

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I look forward to having the same point of contact, the same sounding board in the lower chamber, as we now have in the Senate.

The Intelligence Oversight Board is still another oversight surrogate. This board is comprised of three distinguished citizens: former governor Scranton, former Senator Gore, and Tom Farmer of Washington, D. C., appointed by the President for the sole task of overseeing the legality and propriety of what the Intelligence Community is doing. You, any of my employees, anyone who wants, may write to the Intelligence Oversight Board, and say that fellow Turner is doing something wrong. If they think there's any illegality in intelligence operations or that something is being done improperly, they can go directly to this Board. The Board then makes its own investigation; they may call me in and ask me what is going on; but they do it independently and report only to the President of the United States. He then decides if some action should be taken.

Another form of control is over what is called covert action. Covert action is not gathering or analyzing intelligence, it is taking actions intended to influence opinions or events in other countries without those actions being attributed to the United States. The CIA has been charged by the President over many years as the only agency in the government that will conduct covert action and continues to be required to retain that capability. It is outside the normal ambit of intelligence activities and, as you can imagine involves a high element of risk. This is where the

CIA has received the most adverse publicity. In the past, in Viet Nam for example, there was a good deal of covert activity being carried out. Today, covert activity is first, on a very, very, low scale; and second, before any covert effort is undertaken, it must be cleared by the National Security Council, the President must then indicate his approval by signature, and I must then notify eight committees of Congress.

There are some who say that all of this oversight may be overkill. Let me be candid with you. There are risks in this process. There is the risk of timidity. The more oversight over an intelligence operation the less willing individuals are to take the risks that operation may entail. Maybe too few risks will be taken for the long term good of our country. When you sit around a conference table with other members of a committee, it is easy to say, no, that's too risky, let's not do it. It is much more difficult to stand alone in a group and say yes, for the long term needs of the country, we require that information, we should take that risk.

The second risk is that there may be a security leak. As you proliferate the number of people with access to information about intelligence operations in order to conduct the oversight process, you run the risk of somebody saying something that he should not.

In conclusion, you should know that I feel very confident that today we are beginning to find the balance between the risks of too much oversight on the one hand and necessary control on

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the other. There is every good prospect that a relatively stable balance can be established over these next 2 or 3 years as we shake down this process and as we mature into this new American model of intelligence. I believe we will develop ways of maintaining that necessary level of secrecy while at the same time conducting intelligence operations only in ways that will strengthen our open and free society.

Thank you very much. I would be happy to entertain your questions.

CIA plays an important role in support of the Federal programs aimed at the international aspects of the multi-billion dollar illicit narcotics trafficking conspiracy. From our experience, dating back to 1969, in collecting information on foreign trafficking, we have gained considerable knowledge about foreign traffickers, their methods and routes for transporting drugs and their sources of supply. This information is collected from a variety of human sources and technical means; is analyzed by highly skilled intelligence analysts; and is reported either as raw information or as finished intelligence reports and studies to U.S. narcotics policy makers and law enforcement officials who must have the best information available in order to devise more effective worldwide narcotics control programs.

The Agency has assigned a high priority to the collection of foreign narcotics intelligence information. Emphasis is placed on the principal narcotics producing countries of Southeast Asia, Latin America and South Asia. Our overseas installations collect narcotics information in response to a wide range of requirements, including but not limited to: crop estimates, pricing and marketing data, corruption among foreign officials who may be assisting or

protecting the traffickers and on the willingness and ability of foreign governments to control the production and movement of drugs abroad. In addition, CIA collects a considerable amount of data on the foreign traffickers themselves, on their supporting networks, on the movement of drugs, on methods of concealment and on clandestine refineries. Much of this information is made available to U.S. and foreign law enforcement agencies who can then take appropriate action. CIA information has made a significant contribution toward immobilizing foreign trafficking networks, uncovering their hidden supplies of narcotics, dismantling their secret laboratories, and disrupting the movement of drugs.

With regard to our analytical and scientific functions, our analysts . . . and I am basing this statement on the evaluations we receive from our customers such as the White House Office of Drug Abuse Policy and the office of the Senior Advisor to the Secretary of State for Narcotics Matters . . . produce some of the best, most timely and detailed narcotics studies and profiles available. We also publish a regular bi-weekly international narcotics

study that is recognized throughout the Washington community. Finally, in the scientific area, CIA is leading the narcotics intelligence community effort to improve our capability to monitor opium poppy cultivation.

The escalation in the number of international terrorist incidents in the past ten years has focused CIA attention on this phenomenon. As terrorist groups turned toward international targets and hostage situations became common--particularly the hijacking of airliners--concern increased throughout the U.S. government. The need to increase CIA efforts in collecting information and publishing intelligence on terrorism was emphasized by such events as the series of kidnappings and assassinations of U.S. and other foreign diplomats in Latin America in the late 1960's and early 70's, the multiple aircraft hijackings of 1970, the Tel Aviv airport massacre of 1972, and the attack on the Israeli Olympic team at Munich in September 1972. The need for intelligence has been re-emphasized over the past two years when it became apparent that international terrorist groups in various parts of the world had forged strong links and had begun initiating joint operations (for example: OPEC, December 1975; Entebbe, July 1976; and Mogadiscio, October 1977).

CIA's objectives in this field are to collect and analyze information on the plans and capabilities of international terrorist groups, in order to evaluate their long-range intentions and to be forewarned of new terrorist

operations. The purpose in collecting such information is not to thwart legitimate democratic change within any particular country, but to monitor terrorist groups that threaten American personnel and interests or the interests of friendly third countries. The CIA does not collect information on domestic terrorism within the U.S. This is the responsibility of the FBI.

Following the Munich massacre in 1972, the Cabinet Committee to Combat Terrorism was established by Presidential order, with the Director of CIA as a member. Since that time the Working Group of this Committee (which recently became a Working Group under the NSC/SCC) has been the focal point for high intensity interdepartmental cooperation in the effort to counter terrorism. On the intelligence production side, CIA analysts have supported efforts to counter international terrorism with a number of studies, two of which have been issued in unclassified versions so that the problem of international terror can be better understood by all.

We do not view international terrorism as a passing phenomenon and believe it will continue to plague the world for the foreseeable future.

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Please put in "Notes From the
Director" file. Thanks.

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NOTES FROM THE DIRECTOR

STATEMENT ON DDO REDUCTION

I have been requested by several committees of Congress to provide background information on the personnel reduction in the DDO. The statement which I provided in response to those requests is printed in its entirety below for the information of all CIA personnel.

Statement by Admiral Stansfield Turner,
Director of Central Intelligence,
Concerning Personnel Reductions in the
Directorate of Operations, CIA

I. Why were the cuts necessary?

Soon after my arrival in the Agency last March I began to hear that the Directorate of Operations was overstaffed. It was almost universally perceived within the Agency that the DDO had excess people, resulting in over management and under utilization of talent. Some organizations could tolerate this, but not an organization like the CIA where we are fortunate to have high-quality, dedicated and ambitious people. Nor, from a broader standpoint, is it tolerable to have unnecessary people on the taxpayers' payroll.

At that time the Directorate of Operations was already engaged in a three-phase restructuring and paring down program. I encouraged and received a report on their efforts in mid-July.

II. Determination of the size of the reduction.

The report I received presented a range of opinion as to the extent of the cut that was necessary. I elected to be conservative and take the smallest number of positions for elimination that was suggested--820. This does not mean that either the incumbents of those positions must be released or that 820 people are going to be declared excess to this Directorate. Normal attrition should greatly reduce the number whose services will no longer be needed in the Directorate of Operations. We also must make provision for the continuing hiring of new and young personnel, to ensure the continuing viability of the service and we also must ensure that there exists a reasonable promotion opportunity at all levels for those on duty. To accomplish these latter points I have told the Directorate of Operations to hire 215 people each year for FY 78 and FY 79. Because of normal attrition many people will be voluntarily leaving the Operations Directorate and we estimate that over the two-year exercise approximately 300 individuals will actually be involuntarily separated from the Agency. It should also be noted that nearly 70 percent of the 212 people declared excess so far are eligible for an immediate retirement annuity.

I feel very strongly that, despite the additional pain it causes us, we cannot afford to neglect either the promotion opportunity for those already in the organization or the necessity of bringing in people in approximately equal annual increments at the bottom. We simply must continue to build a sufficiently attractive career opportunity to attract and retain the same caliber of people in 1987 as we had in 1977. Parenthetically, I might say that "at the bottom" is intended to mean just that. I see little prospect for more than a handful of specialists coming in at middle or upper levels.

III. Timing of the reduction.

Of the alternatives presented to me for phasing the reduction, I opted for the quickest, which was accomplishable over a two-year period. Given the changes the last few years have brought to the CIA, I felt it would be better for morale not to prolong this action. Extending the reduction over a six-year period might have made it possible to achieve the reduction through attrition alone, but that would have left an air of uncertainty hanging over the entire organization for that long period and in the end might not have brought about the reductions in the right places. In addition, I do not believe I could honestly face your Committee in its budgetary role and suggest that the Agency should retain such a considerable number of people in excess of its needs for six years.

On August 8 I announced this intended reduction -- first privately to the employees and then publicly to the media. It was in turn well publicized in and outside the Agency. I further announced that we would notify those who were going to be asked to leave in Fiscal Year 1978 not later than the first of November 1977; that none of those persons would be asked to leave prior to the first of March 1978. Those being asked to leave in Fiscal Year 1979 would be notified by 1 June 1978 and not required to leave prior to 1 October 1978.

Between the time I notified CIA employees in August that there would be a reduction, and the first announcement to individuals on the first of November

as to who would be released, I received no complaints either as to the necessity for cuts or how they would be effected. Even since the announcement of who would be released, I have found no one in the Agency who seriously believes that a reduction is not in order.

IV. Who is to be released?

In deciding how to allocate the reduction across grades and skills, my end objective has always been to maintain at least as much clandestine intelligence capability as we possess today. We do not have a surplus of human intelligence collection capability, hence, there will be no meaningful reduction in overseas strength or activities, nor appreciable reduction in the size of the officer operational corps.

V. Method of selecting the individuals.

For those below the supergrade level, the individual's accumulated fitness reports were the basic determinants of who was to leave. The Agency's periodic evaluation boards numerically rank individuals within each grade level. These rankings combined with fitness reports were the basis for a point system. An explicit explanation of this point system was published for all personnel in the Operations Directorate in early October. Beyond this mechanical evaluation, a panel reviewed the calculations and used good judgment in making exceptions where unique skills needed to be retained. These were rare exceptions, however, and the rule of the numerical ranking was closely followed.

In June this year we initiated an annual process by which a senior panel composed of officers at the Executive position level rank all supergrades. The Director for Operations used these rankings as the basis for his recommendations on release of supergrades to me. Again, there were exceptions to the ranking order, but they were rare.

There are two additional points that I would like to make on these selections:

- As far as I can determine, there was no bias by type of service, agreement with current management, race or sex in the selection of these individuals. There were, for example, only 17 women, 4 blacks, and 3 Hispanics in the total of 212 forced reductions for Fiscal 1978.
- There is no question that we were forced to terminate some very capable people. The Directorate of Operations has been shrinking continually since our withdrawal from Vietnam. The majority of the marginal performers have already been eliminated. There is no way today to reduce further without asking very competent people to leave. This is unpleasant, unfortunate, but I believe necessary!

VI. Style of notification.

The method by which notifications were issued to individuals has been criticized. I regret that individuals may have been offended or felt that their prior service was not fully appreciated. Such is not the case. Everyone of these individuals has made sacrifices and many have endured privations and risks for their country. Being fully cognizant of their past contributions, we are determining whether any of these 212 people can be relocated in other directorates within the Agency to fill existing vacancies. Consequently, while individuals have received a notification that their release has been recommended, we are still exploring alternative employment possibilities. Until those alternatives have been exhausted, no final determination on their employment will be made.

I anticipate that 25% of these 212 people will be offered alternative positions. Additionally, I am personally approaching the chiefs of all the

other intelligence services of our country to ask that they give the residual of these 212 special consideration in their hiring requirements.

Finally, in a few cases, notices went to those who would be able to retire if permitted to serve a small amount of additional time. In these cases, we have arranged that no one will be forced to retire before the end of Fiscal Year 1979, when the program must be complete, if he would qualify for retirement by that time.

VII. Is there a security risk?

It has been suggested that the departure of sizable numbers of employees risks their being suborned by enemy intelligence agents. Frankly, I have too much confidence in their loyalty and dedication to take such a suggestion seriously. There was no such experience, to the best of my knowledge, under former Director James Schlesinger in 1973, when 632 employees were separated. Our unfortunate experiences with former employees violating their secrecy agreement have come entirely from individuals who have left the Agency of their own volition.

VIII. Next phase of the reduction.

The Fiscal 1979 cut will require approximately the same number of reductions, perhaps more if attrition does not meet expectations. We intend not to wait until the first of June and then send out all of the notifications at once but to commence notification as early as possible. None will be required to depart before the first of October 1978.

XI. Conclusions.

Many are concerned that this reduction may have hurt the morale of the Directorate of Operations. There is no question that in the short-term it has. The long-term objective, however, is quite the reverse; it is to rebuild morale by ensuring operational efficiency and full utilization of talent. More than that, morale in the Directorate of Operations will be further strengthened through the

sustained expression of support for its vital activities such as has come from this Committee and which also must come from a broader range of citizens. We must lift the pall of suspicion which hangs over the Intelligence Community in general and the Central Intelligence Agency in particular, which obscures the exceptional contribution these organizations have made in the past and are making today.

I would not have encouraged and approved this sizable reduction had I not thought that in the long run it would strengthen the Directorate of Operations and the Central Intelligence Agency. We need the capabilities of this Directorate as much today as ever. Although new technical means of collection permit us to extend our collection efforts, they only compliment, they do not supersede human collectors. Only human collectors can gain access to motives, to intentions, to thoughts, and plans. They will always be vital to our country's security.

It would have been much easier for me to have avoided this issue and attempted to continue over strength until you or the appropriations committees or the Office of Management and Budget uncovered these excesses and made the reductions in my behalf. Contrary to media reports, I was not directed to make these cuts either by the Vice President or David Aaron of the National Security Council staff as reported in some media. I have talked to neither on the subject except to keep the Vice President informed of my decisions. In sum, it is my opinion that I would have been avoiding my duty and would have been placing short-term considerations ahead of long-term necessities in putting the cuts off. We simply must build a foundation today for a Central Intelligence Agency that will be capable of continuing into the indefinite future the outstanding performance it has given our country during the past thirty years.